



Michigan Milk Producers Association

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June 17, 2009

Representative Mike Simpson, Chairman
House Agriculture Committee
307 House Office Building
Lansing, MI

Dear Chairman Simpson and Members of House Agriculture Committee:

Thank you, Mr. Chairman and members of the committee, for the opportunity to express our support of House Bill No. 5086 regarding the designation of additional renaissance zones for agricultural processing facilities within the state.

As Director of Manufactured Sales and Operations at Michigan Milk Producers Association, I represent a milk-marketing cooperative of nearly 2,300 dairy farmer members, located mostly in Michigan. Our members produce about 3.8 billion pounds of milk annually, generating revenues of over \$800 million.

MMPA owns and operates two processing facilities in Michigan, one in Constantine and one in Ovid. These two plants have been instrumental in balancing the milk supply between the daily flow of farm production and the needs of the milk processing facilities in and around the Michigan area.

Michigan is a great state for dairy farming and has experienced very steady growth in milk production for the last several years. In 1996, milk production in the state totaled 5.4 billion pounds. In 2008, milk produced in Michigan totaled over 7.6 billion pounds. That represents a 40% growth in the milk supply in 12 years. By early 2006, it became apparent that additional balancing capacity was going to be necessary if the dairy industry was to continue to expand in Michigan.

As we considered alternative locations for adding to our processing capacity, it was extremely important that we maximize the amount of processing capacity we could realize for the amount of investment that our member farmers could raise. Although we considered investment options outside the state of Michigan, the tax savings incentive offered by the agriculture renaissance zone was a major factor influencing our decision to expand our facility in Ovid, Michigan.

As we searched other investment locations for our expansion needs, it became clear that other states were very interested in the kinds of jobs and investment that a dairy processing facility could offer. Michigan's ability to offer tax abatement incentives for investment in the agriculture renaissance zone at Ovid helped even the playing field among competing locations.

MMPA competes in the national and international market for sales of commodity dairy products manufactured at our two plants. Many of our competitors are located in the western states where milk is generally much cheaper than the Midwest. Many of the western milk processing plants are two and three times the size of our processing plants. The expansion of our Ovid plant will improve throughput costs and reduce the per-unit cost of production allowing MMPA to remain competitive and viable. MMPA must take advantage of every cost saving opportunity available in order to meet the challenges of today's extremely competitive commodity market for dairy products.

MMPA has committed to investing nearly \$62 million dollars to the expansion of our Ovid, Michigan processing plant. We anticipate that we will need to hire about 15 new employees when the project is completed and fully functional. A Michigan State University Product Center study estimates that the expansion project has the potential to have an annual economic impact of more than \$183 million to Michigan. An estimated 176 direct, indirect and induced employment opportunities will be created by the expansion.

The expansion will allow the plant to increase the daily processing capacity from approximately 3 million pounds of milk per day to 5 million pounds per day or nearly 25% of the state's current daily milk volume. Nearly all the milk processed at Ovid comes from Michigan dairy farms. The milk is processed into bulk cream, condensed skim milk, butter and powdered milk products and sold to other food manufacturers, many of which are located in Michigan.

We feel Michigan is an excellent location for agriculture to grow and prosper. As the second largest industry in the state, we feel that agriculture will have a very positive impact on the economy of Michigan, both now and in the future. The dairy industry is the largest segment of our state's agriculture industry contributing nearly \$6 billion of annual economic activity to our state. We are looking forward to seeing the economic impact of the dairy industry grow as we increase milk processing capacity in the state.

We are very grateful for the economic assistance provided by Michigan's agricultural renaissance zone and believe that Michigan's ability to provide this type of assistance can be an instrumental factor in attracting and keeping many agricultural businesses in the state.

Thank you, members of the committee for your time today. We hope that you will pass this legislation so that it may further the agricultural development in Michigan.

Sincerely,

A handwritten signature in cursive script, reading "Clayton Galarneau".

Clayton Galarneau
Director, Manufactured Sales and Operations